

## PATENT REFORM ACT OF 2007

**Sec. 1. Short Title; Table of Contents.** This Act may be cited as the Patent Reform Act of 2007.

**Sec. 2. Reference to Title 35, United States Code.** All references to sections are to title 35, United States Code.

**Sec. 3. Right of the First Inventor to File.**

*In general.*— The United States stands alone among Nations that grant patents in giving priority for a patent to the first inventor, as opposed to the first to file a patent application for a claimed invention. The result is a lack of international consistency, and a complex and costly system in the United States to determine inventors' rights. The United States Patent Office ("USPTO") currently uses an interference proceeding to determine which party was first to "invent" the claimed invention, where competing claims arise. The determination is intensely fact-specific and costly to resolve. By contrast, a first-to-file system injects needed clarity and certainty into the system.

This section converts the United States' patent system into a first-to-file system, giving priority to the earlier-filed application for a claimed invention. Interference proceedings are replaced with a derivation proceeding to determine whether the applicant of an earlier-filed application was not the proper applicant for the claimed invention – such a proceeding will be faster and less expensive than were interference proceedings. This section also encourages the sharing of information by providing a grace period for publicly disclosing the subject matter of the claimed invention, without losing priority.

Specifically, this section makes the following amendments to implement the first-to-file system:

Subsection (a). – § 100 is amended to include definitions for terms necessary for the conversion to first-to-file.

Subsections (b) & (c). – § 102 is replaced and § 103 is amended, as follows. A patent may not issue for a claimed invention if the invention was patented, described in printed material, or in public use (1) more than a year before the filing date or (2) anytime prior to the filing date if not through disclosure by the inventor or joint inventor.

A patent also may not be issued if the claimed invention was described in a patent or patent application by another inventor filed prior to the filing date of the claimed invention. A grace period is provided for an inventor or joint inventor that discloses the subject matter of the claimed invention.

Further, an exception is made for claiming an invention if the subject matter previously disclosed was obtained directly or indirectly from the inventor or joint invention or if the

subject matter was owned by the same person or subject to an obligation of assignment to the same person.

The CREATE Act is preserved by including an exception for subject matter of a claimed invention made by parties to a joint research agreement.

Subsections (d) & (e). – § 104 (requirements for inventions made abroad) and § 157 (statutory invention registration) are repealed, as part of the transition to first-to-file.

Subsection (f). – Amends § 120 related to filing dates to conform with the CREATE Act.

Subsection (g). – Makes various conforming amendments for first-to-file transition.

Subsections (h), (i) & (j). – Repeals the interference proceeding authorized in § 291 and creates a new “derivation proceeding” in § 135(a), designed to determine the inventor with the right to file an application on a claimed invention. An applicant requesting a derivation proceeding must set forth the basis for finding that an earlier applicant derived the claimed invention and without authorization filed an application claiming such invention. The request must be filed within 12 months of the date of first publication of an application for a claim that is substantially the same as the claimed invention. The party making the request (1) must have filed an application not later than 18 months after the effective filing date of the opposing application or patent and (2) must not have filed an application, within one year of the earliest effective filing date of the application, containing a claim that is substantially the same as the invention claimed in the earlier filing application. The Patent Trial and Appeal Board (the “Board”) shall determine the right to patent and issue a final decision thereon. Decisions of the Board, in general, may be appealed to the Federal Circuit.

#### **Sec. 4. Inventor’s Oath or Declaration.**

*In general.*— The section streamlines the requirement that the inventor submit an oath as part of a patent application.

An applicant may submit a substitute statement in lieu of the inventor’s oath in certain circumstances, including if the inventor is unable or unwilling to make the oath. Failure to comply with the requirements of this section will not be a basis for invalidity or unenforceability of the patent if the failure is remedied by a supplemental and corrected statement.

An assignee of an invention, or a person who otherwise shows sufficient proprietary interest, may file an application for the patent.

#### **Sec. 5. Remedies for Infringement and Affirmative Defenses Thereto.**

*Relationship of Damages to Improvements over the Prior Art.*— As products have become more complex, often involving hundreds or even thousands of patented aspects,

litigation has not reliably produced damages awards in infringement cases that correspond to the value of the infringed patent. This section, therefore, preserves the current rule that mandates that a damages award shall not be less than a “reasonable royalty” for the infringed patent, and further requires the court to conduct an analysis to ensure that, when a “reasonable royalty” is the award, it reflects only the economic value of the patent’s “specific contribution over the prior art”, i.e. the truly new “thing” that the patent reflects. The court also has to identify the factors that will be considered in determining a reasonable royalty, ensuring that the record is clear on what the judge or jury looked at in awarding damages. The court must also consider any non-exclusive marketplace licensing of the invention, if there is such a history, in determining a reasonable royalty. Finally, the court is instructed to consider any other relevant law, which is included to ensure that the significant body of judge-made law on the topic of damages awards in infringement cases is preserved.

*Willful infringement.*— A willful infringer of a patent is liable for treble damages. The current definition of willful infringement, however, perversely discourages parties from reviewing issued patents to determine whether a patent exists. This section provides that a court may only find willful infringement if the patent owner shows, by clear and convincing evidence, that (1) the infringer, after receiving written notice from the patentee, performed one of the acts of infringement, (2) the infringer intentionally copied the patented invention with knowledge that it was patented, or (3) after having been found by a court to have infringed a patent, the infringer engaged in conduct that again infringed on the same patent. An allegation of willfulness is subject to a “good faith” defense.

*Prior user rights.*— The defense to infringement for patents involving a “method of doing or conducting business” based on the alleged infringer’s having reduced the subject matter to practice one year prior to the filing date is amended to apply to all patents and require only that the subject matter be commercially used (or substantial preparations be made for commercial use) prior to the effective filing date of the claimed invention.

## **Sec. 6. Post-Grant Procedures.**

*In general.*— After a patent issues, a party seeking to challenge the validity and enforceability of the patent has two avenues under current law: by reexamination proceeding at the USPTO or by litigation in federal district court. The former is used sparingly and is considered not very effective; the latter, district court litigation, is unwieldy and expensive. This section therefore creates a new, post-grant review that provides an effective and efficient system for considering challenges to the validity of patents. Addressing concerns that a post-grant review procedure could be abused by cancellation petitioners, this section requires the Director to prescribe rules for abuse of discovery or improper use of the proceeding. In addition, it bars successive petitions in either the first or second window, and prohibits a party from reasserting claims in court that it raised in post-grant review.

*Reexamination procedures.*— Amends the reexamination procedures of § 303(a) to provide that, within three months of a request for reexamination of a patent by the patent owner, or at any time on the Director’s own initiative, the Director may determine whether a substantial new question of patentability is raised by patents discovered by him or cited by any other person.

*Post-grant review procedures.*—

§ 321.— Permits a person who is not the patent owner to file a “petition for cancellation” before the Patent Trial and Appeal Board based on any ground that might be raised under section 282(a)(2) and (3). The Director shall establish fees to be paid by the person requesting the proceeding.

§ 322.— The petition for cancellation can only be filed (1) within 12 months of the patent’s issue or reissue (known as the “first window”), or (2) if there is substantial reason to believe that the continued existence of the challenged claim is likely to cause the petitioner significant economic harm, the petitioner has received notice from the patent holder alleging infringement by the petition, or the patent owner consents to the proceeding in writing (known as the “second window”).

§ 323.— Certain procedures are required, including setting forth the basis for the petition.

§ 324.— Successive petitions under either the first or second window are prohibited, unless the patent owner consents in writing.

§ 325. — The Director may not institute a post-grant review proceeding unless the Director determines that the information presented provides sufficient grounds to proceed.

§ 326.— The Director shall establish rules and standards for post-grant review, which should result in a final decision within 12 months. Rules for discovery may, and sanctions for abuse of process shall, be prescribed by the Director.

§ 327.— The patent owner has a right to file a response to the cancellation petition and may include affidavits, declarations and any additional factual evidence and expert opinions on which the patent owner relies in support of the response.

§ 328.— The presumption of patent validity does not apply in post-grant review; burden of proof is preponderance of the evidence.

§ 329.— Patent owner may file one motion to amend the patent, or cancel or propose a substitute to any challenged patent claim, in response to a challenge, provided that the amendment may not enlarge the claim or introduce new matter.

§ 330.— The Board shall issue a final decision if the challenge is not otherwise dismissed.

§ 331.— If a final decision of the Board that is not timely appealed, the Director shall publish a certificate canceling any claim determined unpatentable.

§ 332.— The Director may determine rules relating to other ongoing proceedings.

§ 333.— A party against whom final judgment has been entered under 28 U.S.C. § 1338 may not file for post-grant review based on propositions that party could have raised in federal court.

§ 334.— A petitioning party whose petition with respect to any original or new claim of the patent is denied may not, based on any ground which the petitioner raised, pursue reexamination of such claims, interference of such claims, post-grant review of such claims, or assert the invalidity of such claims in any civil action under 28 U.S.C. § 1338.

§ 335. – A party dissatisfied with the final determination of the Director in a post-grant review may appeal the determinations under sections 141 through 144.

## **Sec. 7. Definitions; Patent Trial and Appeal Board.**

The Board of Patent Appeals and Interferences is replaced with the new Patent Trial and Appeal Board. The Board is charged with reviewing adverse decisions of examiners upon applications and reexamination proceedings, determining priority and patentability, and presiding over the new post-grant review proceedings.

## **Sec. 8. Study and Report on Reexamination Proceedings.**

The Director shall, not later than 3 years after the date of enactment, conduct a study on the effectiveness of the different forms of review under title 35, and submit a report to the House and Senate Judiciary Committees on the results of the study, along with any suggested amendments.

## **Sec. 9. Submissions by Third Parties and Other Quality Enhancements.**

*In general.*— This section is designed to improve patent quality by creating a mechanism for third parties with knowledge of the subject matter of a claimed invention to submit relevant information about prior art to the USPTO.

Subsection (a). – § 122(b)(2), which provides confidentiality to patent applications for an applicant who is not filing in another country, is repealed.

Subsection (b). – Creates a mechanism in § 122 for third parties to submit timely, pre-issuance information relevant to the examination of the application.

**Sec. 10. Venue and Jurisdiction.**

*In general.*— This section addresses two litigation issues unique to the patent world. Subsection (a) deals with venue. A venue section specific to patent infringement cases exists in 28 U.S.C. § 1400(b). A change in the general venue provision, 28 U.S.C. § 1391, was later read into the patent venue provision. The result has been forum shopping, which this subsection addresses. Subsection (b) makes patent reform litigation more efficient by providing the Federal Circuit jurisdiction over interlocutory orders in what have become known as *Markman* orders, in which the district court construes claims of a patent. The contours of the claim are crucial to resolution of the patent litigation, and authorizing interlocutory appeals will add predictability at an earlier stage of litigation.

Subsection (a). – The jurisdiction and venue provision for patent cases is amended to specify that any action brought related to patents, other than an action for declaratory judgment or seeking review of a decision of the Board, must be brought in the district where either party resides or where the defendant has committed acts of infringement and has a regular place of business. For purposes of this section, a corporation resides either where its principal place of business is located or where it is incorporated.

Subsection (b). – The Federal Circuit is given jurisdiction over interlocutory orders regarding claim constructions.

**Sec. 11. Regulatory Authority.**

The Director is granted rulemaking authority “to carry out the provisions of this title or any other law applicable” to the PTO or that is necessary to govern the operation and organization of the office.

**Sec. 12. Technical Amendments.**

**Sec. 13. Effective Date.** Except as otherwise provided, this Act takes effect 12 months after the date of enactment and applies to any patent issued on or after that effective date.